

Research on the Deficiency and Development of Rural Credit System Construction in China

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ABSTRACT

The construction of rural credit system is a basic project of the construction of new socialist countryside, which can effectively improve the regional financial ecological environment, make better use of credit information resources, and realize the win-win situation of rural economic and social benefits. The paper summarizes the main methods of China's rural credit system construction, analyzes the problems existing in the construction process, and puts forward the countermeasures of China's rural credit system construction.

Keywords: *Rural credit system, Credit investigation system, Credit evaluation*

1. INTRODUCTION

The construction of rural credit system can effectively improve the regional financial ecological environment, make better use of credit information resources, and achieve a win-win situation of rural economic and social benefits. In recent years, the construction of rural credit system has been actively promoted throughout the country. Different rural credit system construction modes are formed due to different actual conditions and development environment in different regions. However, the construction of rural credit system in China still faces many difficulties and needs to be further optimized.

2. LITERATURE REVIEW

Scholars have studied the characteristics, difficulties and paths of rural credit system construction. The main achievements are as follows: Wu Shuman (2020) explored the solutions to the difficulties in rural credit system construction under the new situation from the aspects of credit information collection, credit evaluation system construction, inclusive finance publicity and credit information sharing.^[1] Yu Shuang and Du Jinxiang (2020) believe that the rural credit system should be built from the following aspects: giving full play to the government's guiding role, improving the rural credit information sharing platform, improving credit reward and punishment measures and increasing publicity.^[2] Wang Huaiyong and Luo Lilin (2018) believe that in the context of the implementation of rural revitalization

strategy, the reform of rural credit system should focus on the promotion of formal rural credit system, and rationally understand the function of rural credit to realize the integration of market forces and government forces.^[3] Zhang Yan and Liu Fulin (2018) believe that the overall credit investigation environment for the development of rural finance in China is not ideal, which is manifested in the weakening of credit function, imbalance of credit structure and absence of credit investigation legislation. The construction of rural credit system should be improved from the aspects of credit legislation, information sharing, credit investigation security and risk prevention and control.^[4] Xiang Guangjun and Jing Hui (2018) believe that new approaches and methods should be explored in the aspects of credit infrastructure construction, departmental collaboration and credit rewards and punishments for poor people, so as to promote the construction of rural credit system as a whole.^[5] Qian Yu (2017) analyzed the difficulties in the construction of China's rural credit system, compared the differences between China's rural credit system models and those of western developed countries, and proposed the construction strategies for China's rural credit system.^[6] Zhang Feng et al. (2016) pointed out that the rural credit system lagged behind the development of rural society and economy. We must speed up the construction of rural credit big data platform, advocate the value of trustworthy, and do a good job in line with the national social credit system.^[7] Tang Juanjuan (2015) constructed the benefit evaluation model of rural credit system construction in Qinghai Province by using analytic

hierarchy Process, and believed that the main reason restricting the development of local rural credit system was the lagging construction of information sharing system and credit support system. ^[8]Xiang Zhilin (2015) proposed to improve the rural credit system and establish inclusive financial mechanism by building a credit information service platform to realize the timeliness and continuity of credit data collection, evaluation, update and sharing. ^[9]Guo Anna et al. (2013) analyzed the "Zhejiang Model". Under the leadership of the government, peasant household credit information database should be established, credit evaluation methods should be standardized, and peasant household information sharing should be realized in rural financial institutions. ^[10]

2. METHODS OF RURAL CREDIT SYSTEM CONSTRUCTION IN CHINA

There are obvious differences in rural credit system in different parts of China. Local governments in the construction of rural credit system mainly have the following methods:

(1) Local governments, branches of the People's Bank of China, agriculture-related financial institutions, specialized institutions and other departments have worked together to promote information collection, sharing and application. They have developed peasant household credit information collection system, established information collection and application guarantee mechanism. With the help of rural grid management platform, the collection, update and sharing of credit information can be sustained. Also, they have integrated agricultural information resources such as insurance, warrant, income and expenditure, and assessed the quality of information collection and regular update.

(2) According to the actual needs of local rural areas, the rural credit information platform have be actively constructed to realize the electronization of credit information. In the process of building local credit information platforms, it has carried out according to common standards, so as to facilitate the docking of subsequent platforms and built a national rural credit information sharing platform.

(3) The fundamental purpose of constructing rural credit system is to improve the rural credit environment and create favorable conditions for the stable development of rural financial market. At present, all parts of our country have issued positive incentive measures, according to the credit evaluation results of farmers, the implementation of corresponding financial policies, such as preferential loans and interest rates.

4. THE PREDICAMENT OF RURAL CREDIT SYSTEM CONSTRUCTION IN CHINA

4.1 The working mechanism of rural credit system construction is not perfect.

Rural credit system is a systematic project, which needs the support and cooperation of relevant agricultural departments of the government. But because the government related agricultural departments did not promote the rural credit system construction evaluation index and reward and punishment mechanism. Due to their own workload, the enthusiasm of relevant departments is not high, and it is difficult to coordinate and promote work. Although most local governments have set up the rural credit system construction leading group, but in practice, most of them are in the form of nominal, it is difficult to play the leading role.

4.2 There are many difficulties in collecting farmers' credit information.

The construction of credit platform is a system including software development, information collection, product design, operation and maintenance management, among which information collection is the most critical factor. Farmers' credit information is scattered in the public security, market supervision, finance, social security, real estate registration, agriculture, forestry, machinery, court and many other departments. The internal management of some farmer specialized cooperatives is not standard, and the information is missing and not standard. Different departments have different understanding of data sharing and are not willing to submit batch data to the sharing platform built by the People's Bank of China. As many departments are involved, the interface program development and debugging are also facing great difficulties. At present, there are no clear laws and regulations for the construction of rural credit system, and no clear code of conduct for the collection. So it is difficult to obtain comprehensive credit information.

The rural household credit information service platform is led by the People's Bank of China County Branch. The database covers farmer basic information, asset information, credit information and a large number of personal information. In order to achieve the normal operation and maintenance standards of the database, the basic county sub-branches are facing great pressure in technical force, personnel funds, information security and other aspects.

Some county platform data update is not timely. Data submission is often unstable or even stagnant due to changes in cooperation departments such as personnel changes and system upgrades. At the same time, it relies

heavily on third-party technology companies. Once the technology companies terminate system maintenance services, data loading cannot be sustained.

Rural credit system database has not formed the version. The credit information system used is mostly developed by technology personnel of basic units. According to the requirements of the new situation and new tasks, it is necessary to continuously increase the information modules of new agricultural operating entities and improve their functions. The stability of the upgraded modules remains to be further verified. In addition, basic units have some practical difficulties in system upgrading, such as insufficient personnel, technical difficulties and low funds.

4.3 Rural credit evaluation system is not unified.

At present, China has not established standardized and unified peasant household credit evaluation system. As a result, the credit evaluation of peasant households is seriously controlled by subjective assumptions, and even the credit rating evaluation results of different institutions for the same peasant households are obviously different. In rural areas, there is generally a lack of objective third-party credit evaluation agencies, except for a few areas that set up special rural household credit rating evaluation groups to undertake the responsibility of rural household credit evaluation. Financial institutions have different preferences for farmer credit evaluation and do not recognize each other's rating results, which makes farmers and other rating subjects usually unable to enjoy the preferential policies of all agriculture-related financial institutions through a single evaluation. The repeated credit evaluation of the same subject will bring a lot of manpower and material resources. The uncertainty of the evaluation standard restricts the development and provision of financial products and services according to the evaluation results.

4.4 Credit laws and regulations are not sound.

In accordance with laws and regulations, relevant departments and units shall fulfill the obligation of keeping confidential the information subject and shall not provide relevant information to the outside world. The internal management system of a few credit platforms is not sound. There is a lack of long-term post-supervision on the application of financial institutions' inquiry. And there are risks and hidden dangers of financial institutions' illegal inquiry of personal information.

5. CONCLUSIONS

After many years of development, China's rural credit system has achieved obvious results and accumulated a lot of experience. However, due to the particularity of

rural economy, China's rural credit system is still facing many shortcomings. In the future, China's rural credit system should focus on the following aspects:

(1) The government should play a leading role correctly.

Rural credit system is a very complicated systematic project. The government should play a leading role, actively coordinate various financial institutions and promote multiple parties to participate in the construction of rural credit system. The government should do a good job of overall planning and scientifically divide the rights and responsibilities of relevant subjects. The government should provide necessary institutional rules and formulate basic rules for information collection, evaluation, sharing and use. The government should strengthen cooperation with the People's Bank of China, rural financial institutions and other institutions, which formulate specific supporting policies and introduce incentive and disciplinary measures. We should follow the principle of adjusting measures to local conditions and construct a reasonable rural credit information system.

Rural credit evaluation system should be strengthened.

Credit evaluation models suitable for rural areas in China have not been determined yet. Under the promotion of the government and relevant departments, it is necessary to define the institutions that can carry out peasant household credit evaluation. It should be formulated the unified credit rating standard and standardized the peasant household credit evaluation models. On the basis of constructing proper credit rating system, it is necessary to establish the dynamic updating mechanism of peasant household credit rating. If there is a major change in the farmer's credit information, the information should be updated in time and their credit rating should be adjusted accordingly.

(3) Credit laws and regulations should be further improved.

We should learn from the experience of other countries and speed up the legislation according to China's national conditions. Laws and regulations related to rural credit system should be formulated in a unified manner. It includes laws and regulations on the collection, disclosure and use of credit information of agricultural business entities and the protection of personal privacy. At the same time, relevant implementation rules will be formulated and issued to regulate the behaviors of the government, micro, small and medium-sized enterprises, agricultural operators and other participants of the credit system, which protect the rights of trustworthy subjects in accordance with the law.

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